

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

UNITED STATES OF AMERICA,

Plaintiff,

v.

ALASKA BROKERAGE
INTERNATIONAL, INC.
and DAVID KARSCH

Defendants.

NO. CR 06 0011

FILED: 01/17/06

INDICTMENT

The Grand Jury Charges That:

INDICTMENT

(Conspiracy to Restrain Trade in Violation of 15 U.S.C. § 1)

A. The Offense

1. Beginning sometime in mid-2003, and continuing through at least February 14, 2004, the exact dates being unknown to the Grand Jury, ALASKA BROKERAGE INTERNATIONAL, INC. and DAVID KARSCH (collectively “defendants”), and other co-conspirators known and unknown to the Grand Jury, entered into and engaged in a combination and conspiracy to rig bids for otter pelts sold at an auction held by Fur Harvesters Auction (“FHA”) in King County, within the Western District of Washington, on February 14, 2004. The combination and conspiracy unreasonably restrained interstate and foreign trade and commerce in violation of Section 1 of the Sherman Act (15 U.S.C. § 1).

2. The charged combination and conspiracy consisted of an agreement, understanding, and concert of action among the defendants and co-conspirators, the substantial

term of which was to suppress competition by refraining from bidding against one another for otter pelts sold at the FHA auction.

B. Means and Methods of the Conspiracy

3. For the purpose of forming and carrying out the charged combination and conspiracy, the defendants and co-conspirators did those things that they combined and conspired to do, including, among other things:

- (a) engaging in communications and discussions regarding not competing with one another in the bidding for otter pelts to be auctioned at the February 14, 2004, FHA auction;
- (b) agreeing during a meeting on February 13, 2004, to a collusive bidding strategy, involving not bidding against one another at the auction, bidding at certain prices or price ranges, and subsequently dividing the otter pelts acquired among themselves through post-auction transfers; and
- (c) executing the agreed-upon collusive bidding strategy.

4. DAVID KARSCH, on behalf of himself and ALASKA BROKERAGE INTERNATIONAL, INC., was the organizer and leader of the bid-rigging conspiracy.

C. Background

5. Otter pelts are one of many different types of unprocessed animal furs sold at auctions in the United States. The otter pelts sold at these auctions are supplied by trappers located in the United States and elsewhere. Otter pelts are purchased mainly for use in manufacturing garments, like coats and hats.

6. FHA conducts traditional “shout out” auctions, meaning that as the auctioneer announces a product for bidding, bidders literally shout out their bids for the product. The bidder that submits the highest bid wins.

7. FHA is an auction company located in Ontario, Canada. It is owned and operated by participating fur trappers. FHA exclusively auctions trapped, as opposed to ranch-raised, furs. FHA holds auctions at its own auction facility in Canada, as well as at an auction facility located in King County, within the Western District of Washington, which is owned and operated by a United States auction company known as American Legend Cooperative (“ALC”). FHA held its February 14, 2004, auction at ALC’s auction facility.

D. Defendants and Co-Conspirators

8. During the period covered by this Indictment, ALASKA BROKERAGE INTERNATIONAL, INC. (“ALASKA BROKERAGE”) was a corporation organized and existing under the laws of New York. During the period set forth in this Indictment, ALASKA BROKERAGE’s primary business included the purchase and sale of unprocessed fur pelts in the United States and elsewhere.

9. During the period covered by this Indictment, DAVID KARSCH was a Vice President of ALASKA BROKERAGE. DAVID KARSCH represented ALASKA BROKERAGE at the February 14, 2004, FHA auction.

10. Various corporations and individuals, not made defendants in this Indictment, participated as co-conspirators in the offense charged herein and performed acts and made statements in furtherance thereof.

11. Whenever in this Indictment reference is made to any act, deed or transaction of any corporation, the allegation means that the corporation engaged in the act, deed, or

transaction by or through its officers, directors, agents, employees, or other representatives while they were actively engaged in the management, direction, control or transaction of its business or affairs.

E. Trade and Commerce

12. During the period covered by this Indictment, FHA collected and offered for sale at auction, otter pelts supplied by trappers located in the United States and Canada. The defendants and co-conspirators purchased otter pelts at the February 14, 2004, FHA auction held in King County, within the Western District of Washington, and subsequently sold those pelts to out-of-state and international customers.

13. During the period covered by this Indictment, the business activities of the defendants and co-conspirators in connection with otter pelts purchased at the February 14, 2004, FHA auction, which are the subject of this Indictment, were within the flow of, and substantially affected, interstate and foreign trade and commerce.

F. Jurisdiction and Venue

14. The combination and conspiracy charged in this Indictment was carried out, in part, in King County, within the Western District of Washington, within the five years preceding the return of this Indictment.

ALL IN VIOLATION OF TITLE 15, UNITED STATES CODE, SECTION 1.

A TRUE BILL:

DATED:

(Signature of Foreperson redacted pursuant
to the policy of the judicial conference.)

FOREPERSON

/s/

THOMAS O. BARNETT
Acting Assistant Attorney General

/s/

LISA M. PHELAN
Chief, Nat'l Criminal Enforcement Section

/s/

SCOTT D. HAMMOND
Deputy Assistant Attorney General

/s/

JOHN SCHMOLL
JOHN F. TERZAKEN
CRAIG Y. LEE
Attorneys, Antitrust Division
U.S. Department of Justice
Nat'l Criminal Enforcement Section
1401 H Street, N.W., Suite 3700
Washington, D.C. 20530
Tel.: (202) 307-5780

/s/

MARC SIEGEL
Director of Criminal Enforcement
Antitrust Division
U.S. Department of Justice

/s/

JOHN McKAY
United States Attorney for the
Western District of Washington